

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Edwardsburg	County Cass
Fiscal Year End 03/31/07	Opinion Date July 31, 2007	Date Audit Report Submitted to State September 24, 2007	

We affirm that:

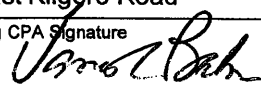
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) SAS 112 REPORT	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name James C. Baker		License Number 1101010743

Village of Edwardsburg
Cass County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Village Council
Village of Edwardsburg, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Edwardsburg, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Village of Edwardsburg, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Edwardsburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Edwardsburg, Michigan, as of March 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Village of Edwardsburg, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edwardsburg, Michigan's basic financial statements. The accompanying supplementary information as listed in the contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

July 31, 2007

BASIC FINANCIAL STATEMENTS

Village of Edwardsburg
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 628,258	\$ 239,676	\$ 867,934
Receivables, net	168,957	14,949	183,906
Inventory	-	22,434	22,434
	<u>797,215</u>	<u>277,059</u>	<u>1,074,274</u>
Total current assets			
Noncurrent assets:			
Receivables, net	1,979,792	-	1,979,792
Deferred charges	81,402	-	81,402
Capital assets not being depreciated - land	27,291	32,719	60,010
Capital assets being depreciated, net of accumulated depreciation	<u>3,788,281</u>	<u>430,765</u>	<u>4,219,046</u>
Total non-current assets	<u>5,876,766</u>	<u>463,484</u>	<u>6,340,250</u>
Total assets	<u>6,673,981</u>	<u>740,543</u>	<u>7,414,524</u>
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	58,000	-	58,000
Payables	<u>21,220</u>	<u>4,385</u>	<u>25,605</u>
Total current assets	79,220	4,385	83,605
Noncurrent liabilities - long-term obligations	<u>2,614,823</u>	<u>-</u>	<u>2,614,823</u>
Total liabilities	<u>2,694,043</u>	<u>4,385</u>	<u>2,698,428</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,236,974	463,484	1,700,458
Restricted for:			
Debt service	2,290,456	-	2,290,456
Public works	210,998	-	210,998
Unrestricted	<u>241,510</u>	<u>272,674</u>	<u>514,184</u>
Total net assets	<u>\$ 3,979,938</u>	<u>\$ 736,158</u>	<u>\$ 4,716,096</u>

See notes to the financial statements

Village of Edwardsburg
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 4,332	\$ -	\$ -	\$ -
General government	136,080	9,057	-	-
Public safety	80,618	22,373	2,774	-
Public works	168,142	92,470	101,285	988,900
Community and economic development	1,716	-	-	-
Culture and recreation	10,729	-	-	-
Interest on long-term debt	60,687	94,179	-	-
				-
Total governmental activities	462,304	218,079	104,059	988,900
Business-type activities - water	201,592	179,405	-	-
Total	<u>\$ 663,896</u>	<u>\$ 397,484</u>	<u>\$ 104,059</u>	<u>\$ 988,900</u>

General revenues
Property taxes
State grants
Investment income

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (4,332)		\$ (4,332)
(127,023)		(127,023)
(55,471)		(55,471)
1,014,513		1,014,513
(1,716)		(1,716)
(10,729)		(10,729)
<u>33,492</u>		<u>33,492</u>
848,734		848,734
-	\$ (22,187)	(22,187)
<u>848,734</u>	<u>(22,187)</u>	<u>826,547</u>
119,789	-	119,789
113,830	-	113,830
<u>14,850</u>	<u>10,103</u>	<u>24,953</u>
<u>248,469</u>	<u>10,103</u>	<u>258,572</u>
1,097,203	(12,084)	1,085,119
<u>2,882,735</u>	<u>748,242</u>	<u>3,630,977</u>
<u>\$ 3,979,938</u>	<u>\$ 736,158</u>	<u>\$ 4,716,096</u>

See notes to the financial statements

Village of Edwardsburg
BALANCE SHEET - governmental funds
March 31, 2007

	<u>General</u>	<u>Sanitary Sewer Special Assessment</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 106,991	\$ 202,317	\$ 253,576	\$ 562,884
Receivables, net	37,737	2,097,816	13,196	2,148,749
Due from other funds	<u>456</u>	<u>-</u>	<u>5,420</u>	<u>5,876</u>
Total assets	<u>\$ 145,184</u>	<u>\$ 2,300,133</u>	<u>\$ 272,192</u>	<u>\$ 2,717,509</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 10,605	-	\$ 850	\$ 11,455
Due to other funds	5,420	456	-	5,876
Deferred revenue	<u>8,074</u>	<u>2,031,548</u>	<u>-</u>	<u>2,039,622</u>
Total liabilities	<u>24,099</u>	<u>2,032,004</u>	<u>850</u>	<u>2,056,953</u>
Fund balances:				
Unreserved	121,085	268,129	-	389,214
Unreserved reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>271,342</u>	<u>271,342</u>
Total fund balances	<u>121,085</u>	<u>268,129</u>	<u>271,342</u>	<u>660,556</u>
Total liabilities and fund balances	<u>\$ 145,184</u>	<u>\$ 2,300,133</u>	<u>\$ 272,192</u>	<u>\$ 2,717,509</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Total fund balances	\$ 660,556
Deferred charges	81,402
Capital assets	3,764,702
Net asset of internal service fund	115,700
Long-term debt	(2,660,000)
Accrual of compensated absences	(12,823)
Accrual of interest payable	(9,221)
Deferred revenue	<u>2,039,622</u>
Net assets of <i>governmental activities</i> (page 5)	<u>\$ 3,979,938</u>

See notes to the financial statements

Village of Edwardsburg**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Sanitary Sewer Special Assessment</u>	<u>Other governmental funds</u>
REVENUES			
Taxes	\$ 118,816	\$ -	\$ -
State grants	120,005	-	73,745
Local unit contribution	-	988,900	-
Licenses and permits	22,373	-	-
Charges for services	45,425	15,040	7,689
Interest and rentals	9,794	94,179	11,668
Other	1,368	139,552	-
	<u>317,781</u>	<u>1,237,671</u>	<u>93,102</u>
Total revenues			
EXPENDITURES			
Legislative	4,332	-	-
General government	110,865	83,164	18,557
Public safety	79,553	-	-
Public works	54,536	3,605,736	88,754
Community and economic development	1,716	-	-
Recreation and culture	10,729	-	-
Capital outlay	839	-	-
Debt service:			
Principal	-	40,000	-
Interest	-	49,704	-
	<u>262,570</u>	<u>3,778,604</u>	<u>107,311</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>55,211</u>	<u>(2,540,933)</u>	<u>(14,209)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	2,700,000	-
Transfers in	-	-	22,884
Transfers out	(13,000)	-	(9,884)
	<u>(13,000)</u>	<u>2,700,000</u>	<u>13,000</u>
Total other financing sources			
Net change in fund balances	42,211	159,067	(1,209)
FUND BALANCES - BEGINNING	<u>78,874</u>	<u>109,062</u>	<u>272,551</u>
FUND BALANCES - ENDING	<u>\$ 121,085</u>	<u>\$ 268,129</u>	<u>\$ 271,342</u>

***Total
governmental
funds***

\$ 118,816
193,750
988,900
22,373
68,154
115,641
140,920

1,648,554

4,332
212,586
79,553
3,749,026
1,716
10,729
839

40,000
49,704

4,148,485

(2,499,931)

2,700,000
22,884
(22,884)

2,700,000

200,069

460,487

\$ 660,556

See notes to the financial statements

Village of Edwardsburg

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

Reconciliation of the statement of revenues, expenditures, and changes in
fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8)	\$ 200,069
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Amounts reported for governmental activities in the statement of activities
are different due to the following:

Capital assets:

Capital outlay	3,605,736
Provision for depreciation	(29,024)

Long-term debt:

Debt issued	(2,700,000)
Debt repayment	40,000

Changes in other assets/liabilities:

Net increase in deferred charges	81,402
Net decrease in liability for compensated absences	4,611
Net increase in interest payable	(9,221)
Net increase in deferred revenue	(91,534)

The net expense of the internal service fund	<u>(4,836)</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 1,097,203</u>
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See notes to the financial statements

Village of Edwardsburg
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2007

	<u>Business-type activities</u>	<u>Governmental activities</u>
	<u>Water</u>	<u>Internal service</u>
ASSETS		
Current assets:		
Cash	\$ 239,676	\$ 65,374
Receivables, net	14,949	-
Inventory	22,434	-
Total current assets	<u>277,059</u>	<u>65,374</u>
Noncurrent assets:		
Capital assets not being depreciated - land	32,719	-
Capital assets being depreciated, net of accumulated depreciation	<u>430,765</u>	<u>50,870</u>
Total non-current assets	<u>463,484</u>	<u>50,870</u>
Total assets	<u>740,543</u>	<u>116,244</u>
LIABILITIES		
Current liabilities - payables	<u>4,385</u>	<u>544</u>
NET ASSETS		
Invested in capital assets	463,484	50,870
Unrestricted	<u>272,674</u>	<u>64,830</u>
Total net assets	<u>\$ 736,158</u>	<u>\$ 115,700</u>

See notes to the financial statements

Village of Edwardsburg
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended March 31, 2007

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Water</i>	<i>Internal service</i>
OPERATING REVENUES		
Charges for services	\$ 179,405	\$ 39,836
OPERATING EXPENSES		
Utility operations	162,480	-
Motor vehicle pool operations	-	30,649
Depreciation	39,112	16,510
Total operating expenses	201,592	47,159
Operating loss	(22,187)	(7,323)
NONOPERATING REVENUES		
Interest revenue	10,103	2,487
CHANGE IN NET ASSETS	(12,084)	(4,836)
NET ASSETS - BEGINNING	748,242	120,536
NET ASSETS - ENDING	\$ 736,158	\$ 115,700

See notes to the financial statements

Village of Edwardsburg
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2007

	<u>Business-type activities</u>	<u>Governmental activities</u>
	<u>Water</u>	<u>Internal service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 181,633	\$ 39,836
Payments to vendors and suppliers	(72,145)	(25,950)
Payments to employees	(78,982)	(4,379)
Internal activity - payments to other funds	(9,551)	-
	<u>20,955</u>	<u>9,507</u>
Net cash provided by operating activities	20,955	9,507
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(8,421)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>10,103</u>	<u>2,487</u>
NET INCREASE IN CASH	22,637	11,994
CASH - BEGINNING	<u>217,039</u>	<u>53,380</u>
CASH - ENDING	<u>\$ 239,676</u>	<u>\$ 65,374</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (22,187)	\$ (7,323)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	39,112	16,510
Decrease in receivables	2,228	-
Increase in payables	<u>1,802</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 20,955</u>	<u>\$ 9,187</u>

See notes to the financial statements

Village of Edwardsburg

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2007

ASSETS

Cash	<u>\$ 14,167</u>
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LIABILITIES

Amounts held for others	<u>\$ 14,167</u>
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See notes to financial statements

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Edwardsburg, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government, entities for which the government is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued): period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sanitary Sewer Special Assessment Fund accounts for the use of contract proceeds and local unit contributions in support of construction of a sanitary sewer extension, and, for the use of special assessments to finance the repayment of the contract.

The Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the Village's water distribution system.

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

The Village reports a single fiduciary fund, Agency Fund, to account for monies held temporarily for others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted as they are needed.

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) *Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the interest method.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Village as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	4 - 20 years
Infrastructure	50 years

v) *Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vi) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before July 31, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

During the year ended March 31, 2007, the Village did not incur expenditures in excess of the amounts appropriated.

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 628,183	\$ 239,551	14,167	\$ 881,901
Cash on hand	<u>75</u>	<u>125</u>	<u>-</u>	<u>200</u>
Total cash	<u>\$ 628,258</u>	<u>\$ 239,676</u>	<u>\$ 14,167</u>	<u>\$ 882,101</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Village. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$637,019 of the Village's bank balances of \$890,323 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At March 31, 2007, the Village's receivables were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Special assess- ments</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:						
General	\$ 15,899	\$ 6,252	\$ 15,586	\$ -	\$ -	\$ 37,737
Sanitary Sewer Special Assessment	-	-	4,637	2,048,956	44,223	2,097,816
Other governmental funds	-	-	13,196	-	-	13,196
 Total governmental activities	<u>\$ 15,899</u>	<u>\$ 6,252</u>	<u>\$ 33,419</u>	<u>\$ 2,048,956</u>	<u>\$ 44,223</u>	<u>\$ 2,148,749</u>
 Non-current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,979,792</u>	<u>\$ -</u>	<u>\$ 1,979,792</u>
Business-type activities:						
Water Fund	<u>\$ -</u>	<u>\$ 14,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,949</u>

All receivables are considered fully collectible.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2007, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 456	Sanitary Sewer Special Assessment	\$ 456
Local Street	<u>5,420</u>	General	<u>5,420</u>
	<u>\$ 5,876</u>		<u>\$ 5,876</u>

The amounts owed by each fund represent a liability for costs paid on behalf of such fund, not liquidated as of year end.

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued):

A summary of interfund transfers for the year ended March 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Cemetery	\$ 10,000	General	<u>\$ 13,000</u>
Local Streets	<u>3,000</u>		
	<u>\$ 13,000</u>		

The transfer to the Cemetery Fund and to the Local Streets Fund represents support for operations of the funds.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 27,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,291</u>
Capital assets being depreciated:				
Infrastructure	-	3,605,736	-	3,605,736
Land improvements	65,650	-	-	65,650
Buildings	198,986	-	-	198,986
Furniture, fixtures, and equipment	42,836	-	-	42,836
Vehicles	<u>202,657</u>	<u>-</u>	<u>-</u>	<u>202,657</u>
Subtotal	<u>510,129</u>	<u>3,605,736</u>	<u>-</u>	<u>4,115,865</u>
Less accumulated depreciation for:				
Infrastructure	-	(18,029)	-	(18,029)
Land improvements	(38,043)	(3,283)	-	(41,326)
Buildings	(72,868)	(4,975)	-	(77,843)
Furniture, fixtures, and equipment	(24,864)	(5,737)	-	(30,601)
Vehicles	<u>(146,275)</u>	<u>(13,510)</u>	<u>-</u>	<u>(159,785)</u>
Subtotal	<u>(282,050)</u>	<u>(45,534)</u>	<u>-</u>	<u>(327,584)</u>
Total capital assets being depreciated, net	<u>228,079</u>	<u>3,560,202</u>	<u>-</u>	<u>3,788,281</u>
Governmental activities capital assets, net	<u>\$ 255,370</u>	<u>\$ 3,560,202</u>	<u>\$ -</u>	<u>\$ 3,815,572</u>

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities - Water Fund				
Capital assets not being depreciated: - land	\$ 32,719	\$ -	\$ -	\$ 32,719
Capital assets being depreciated:				
Building	64,866	-	-	64,866
Water system	1,555,514	8,421	-	1,563,935
Equipment	68,112	-	-	68,112
Subtotal	<u>1,688,492</u>	<u>8,421</u>	<u>-</u>	<u>1,696,913</u>
Less accumulated depreciation for:				
Building	(46,459)	(1,622)	-	(48,081)
Water system	(1,128,806)	(33,628)	-	(1,162,434)
Equipment	(51,771)	(3,862)	-	(55,633)
Subtotal	<u>(1,227,036)</u>	<u>(39,112)</u>	<u>-</u>	<u>(1,266,148)</u>
Total capital assets being depreciated, net	<u>461,456</u>	<u>(30,691)</u>	<u>-</u>	<u>430,765</u>
Business-type activities -Water Fund capital assets, net	<u>\$ 494,175</u>	<u>\$ (30,691)</u>	<u>\$ -</u>	<u>\$ 463,484</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,479
Public safety	1,065
Public works	<u>45,534</u>
Total	<u>\$ 55,078</u>

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

At March 31, 2007, the Village's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 9,627	\$ 978	\$ -	\$ 10,605
Other governmental funds	<u>142</u>	<u>708</u>	<u>-</u>	<u>850</u>
Total governmental funds	9,769	1,686	-	11,455
Adjustment for statement of net assets	<u>496</u>	<u>48</u>	<u>9,221</u>	<u>9,765</u>
Total governmental activities	<u>\$ 10,265</u>	<u>\$ 1,734</u>	<u>\$ 9,221</u>	<u>\$ 21,220</u>
Business-type activities - Water Fund	<u>\$ 3,076</u>	<u>\$ 1,309</u>	<u>\$ -</u>	<u>\$ 4,385</u>

NOTE 8 - LONG-TERM OBLIGATIONS:

At March 31, 2007, long-term obligations consisted of the following:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Due in one year</u>
Governmental activities:					
2006 Contract payable,					
Cass County	\$ -	\$2,700,000	\$ (40,000)	\$2,660,000	\$ 58,000
Compensated absences	<u>17,434</u>	<u>15,389</u>	<u>(20,000)</u>	<u>12,823</u>	<u>-</u>
Total	<u>\$ 17,434</u>	<u>\$2,715,389</u>	<u>\$ (60,000)</u>	<u>\$2,672,823</u>	<u>\$ 58,000</u>

In 2006, the Township entered into a \$2,700,000 contract with Cass County, to finance construction costs of a sanitary sewer line in the Village. The contract is payable in annual principal installments ranging between \$40,000 and \$83,000, plus semi-annual interest at 4.125% per annum, through September 2045. The Village has levied special assessments against benefited property totaling \$2,260,541 in order to repay the contract. The assessments bear the same rate of interest as the contract. The Township of Ontwa bills benefited property owners a monthly debt service charge, which is remitted as collected to the Village. Delinquent unpaid monthly charges are added to winter tax bills so as to assure collection. The Village has pledged its full faith and credit for repayment of the contract.

Village of Edwardsburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (continued):

At March 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <i>March 31</i>	<i>Governmental activities</i>	
	<i>Principal</i>	<i>Interest</i>
2007	\$ 58,000	\$ 109,466
2008	59,000	107,032
2009	59,000	104,577
2010	59,000	102,122
2011	60,000	99,646
2012 - 2016	305,000	460,433
2017 - 2021	314,000	396,092
2022 - 2026	328,000	329,399
2027 - 2031	343,000	259,602
2032 - 2036	362,000	186,270
2037 - 2041	385,000	108,694
2042 - 2046	<u>328,000</u>	<u>27,501</u>
Totals	<u>\$ 2,660,000</u>	<u>\$ 2,290,834</u>

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Village provides pension benefits through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Village Council. All full-time employees are eligible to participate. Employees may contribute additional amounts on a voluntary basis. For the year ended March 31, 2007, the Village made its required contributions of \$6,755.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Village is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Edwardsburg
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 125,440	\$ 125,440	\$ 118,816	\$ (6,624)
State grants	123,330	124,449	120,005	(4,444)
Licenses and permits	10,100	16,930	22,373	5,443
Charges for services	46,700	46,874	45,425	(1,449)
Interest and rentals	6,100	5,735	9,794	4,059
Other	5,750	5,750	1,368	(4,382)
Total revenues	<u>317,420</u>	<u>325,178</u>	<u>317,781</u>	<u>(7,397)</u>
EXPENDITURES				
Legislative	4,600	4,600	4,332	268
General government	122,213	127,278	110,865	16,413
Public safety	75,470	85,328	79,553	5,775
Public works	67,142	67,182	54,536	12,646
Community and economic development	3,565	3,565	1,716	1,849
Recreation and culture	9,830	15,330	10,729	4,601
Capital outlay	19,500	8,895	839	8,056
Total expenditures	<u>302,320</u>	<u>312,178</u>	<u>262,570</u>	<u>49,608</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>15,100</u>	<u>13,000</u>	<u>55,211</u>	<u>42,211</u>
OTHER FINANCING USES				
Transfer to Local Street Fund	(3,000)	(3,000)	(3,000)	-
Transfer to Cemetery Fund	(10,000)	(10,000)	(10,000)	-
Total other financing uses	<u>(13,000)</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,100	-	42,211	42,211
FUND BALANCES - BEGINNING	<u>78,874</u>	<u>78,874</u>	<u>78,874</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 80,974</u>	<u>\$ 78,874</u>	<u>\$ 121,085</u>	<u>\$ 42,211</u>

Village of Edwardsburg
COMBINING BALANCE SHEET - nonmajor governmental funds
March 31, 2007

	Special revenue			Total
	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery</u>	
ASSETS				
Cash	\$ 117,230	\$ 75,803	\$ 60,543	\$ 253,576
Receivables	9,779	3,417	-	13,196
Due from other funds	-	5,420	-	5,420
Total assets	<u>\$ 127,009</u>	<u>\$ 84,640</u>	<u>\$ 60,543</u>	<u>\$ 272,192</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ 331	\$ 320	\$ 199	\$ 850
Fund balances - unreserved, undesignated	<u>126,678</u>	<u>84,320</u>	<u>60,344</u>	<u>271,342</u>
Total liabilities and fund balances	<u>\$ 127,009</u>	<u>\$ 84,640</u>	<u>\$ 60,543</u>	<u>\$ 272,192</u>

SUPPLEMENTARY INFORMATION

Village of Edwardsburg**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	Special revenue			Total
	Major Street	Local Street	Cemetery	
REVENUES				
State grants	\$ 54,646	\$ 19,099	\$ -	\$ 73,745
Charges for services	-	-	7,689	7,689
Interest	5,584	3,515	2,569	11,668
Total revenues	60,230	22,614	10,258	93,102
EXPENDITURES				
General government	-	-	18,557	18,557
Public works	49,245	39,509	-	88,754
Total expenditures	49,245	39,509	18,557	107,311
DEFICIENCY OF REVENUES OVER EXPENDITURES	10,985	(16,895)	(8,299)	(14,209)
OTHER FINANCING SOURCES				
Transfers in	-	12,884	10,000	22,884
Transfers out	(9,884)	-	-	(9,884)
Other financing sources, net	(9,884)	12,884	10,000	13,000
NET CHANGE IN FUND BALANCES	1,101	(4,011)	1,701	(1,209)
FUND BALANCES - BEGINNING	125,577	88,331	58,643	272,551
FUND BALANCES - ENDING	\$ 126,678	\$ 84,320	\$ 60,344	\$ 271,342

Siegfried Crandall PC

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July 31, 2007

**Members of Village Council
Village of Edwardsburg, Michigan**

In planning and performing our audit of the financial statements of the Village of Edwardsburg as of and for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Village of Edwardsburg's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies the letter summarizes our comments and recommendations regarding these matters. A separate report, dated July 31, 2007 contains our report on significant deficiencies in the Village's internal control. This letter does not affect our report dated July 31, 2007 on the financial statements of the Village of Edwardsburg.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Siegfried Crandall P.C.

Village of Edwardsburg
COMMENTS AND RECOMMENDATIONS

Capital assets recordkeeping

Finding - Recordkeeping for capital assets, including the utility system, has been informal, and, for the most part, has been maintained by the auditor. At risk is accountability over capital assets, adequacy of insurance coverage, and consistency in the level of detail maintained by auditor and in the auditor's recordkeeping policies.

Recommendations - Capital asset records should be obtained from the auditor and reviewed for completeness and accuracy. Policies and procedures should be in place to assure timely updating of such records. Insurance coverage should be reviewed for omissions or assets no longer in service.

Utility and special assessment billing and collection

Finding - The relationship between various month-end reports and the general ledger, and the availability of certain monitoring reports has not been determined. At risk is the inability to perform certain check and balance reporting and to evaluate the effectiveness of controls in place.

Recommendations - Obtain from software support (or other users) information regarding key reports to run and how to reconcile information, both among the reports, as well as, to the amounts reported in the general ledger. Monitoring reports (if available) should be run and evaluated by appropriate personnel.

Non-motorized expenditures

Finding - A recent review of Major Street Fund and Local Street Fund accounting by Michigan Department of Transportation (MDOT) indicated that the Village had not incurred qualified non-motorized expenditures in the street funds as required by P.A. Act 51. We noted, however, that the Village did record qualified non-motorized expenditures in the General Fund.

Recommendation - The Village should discuss with MDOT whether the Village could record a reimbursement transfer from the street funds to the General Fund so that the schedule of non-motorized expenditures could be updated to include these previously misclassified amounts. In the future, the Village should first record qualified non-motorized expenditures in the Major or Local Street Funds and then in the General Fund.

Documentation of review/authorization

Finding - Certain review/authorization procedures are not documented in the form of signatures or initials. Specifically, review of bank reconciliations prepared by the Treasurer, and departmental approval of time cards or changes to time cards are not documented.

Recommendation - Policies and procedures should be in place to assure that performance of key reviews/authorizations can be evidenced.

**Members of the Village Council
Village of Edwardsburg, Michigan**

In planning and performing our audit of the financial statements of the Village of Edwardsburg as of and for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Village of Edwardsburg, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Village Council of the Village of Edwardsburg, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 31, 2007